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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
Access Charge Reform	)	**CC Dkt. 96-262**
	)	
Price Cap Performance Review for Local Exchange Carriers	)	**CC Dkt. 94-1**
	)	
Transport Rate Structure and Pricing	)	**CC Dkt. 91-213**
	)	
End User Common Line Charges	)	**CC Dkt. 95-72**

COMMENTS OF FRONTIER CORPORATION

Introduction

Frontier Corporation ("Frontier") submits these comments in response to the Commission's Further Notice of Proposed Rulemaking in the above-captioned consolidated proceedings.[1] In the Further Notice, the Commission sets forth two proposals: (1) to permit incumbent local exchange carriers ("ILECs") to assess primary interexchange carrier charges ("PICCs") on special access services;[2] and (2) to reassign certain general support facilities ("GSF") costs from regulated interstate services to non-regulated billing and collection services.[3] The Commission should decline to adopt the first proposal. With

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1 *Access Charge Reform, et al.*, CC Dkts. 96-262, *et al.*, First Report and Order, FCC 97-158, ¶¶ 397-418 (May 16, 1997) ("Further Notice").

2 *Id.*, ¶¶ 397-406.

3 *Id.*, ¶¶ 407-418.

respect to GSF costs, the Commission should adopt the second option that it proposes, namely, to utilize a general expense allocator to allocate general purpose computer costs between billing and collection and other Part 69 elements.

Argument

I. THE COMMISSION SHOULD NOT PERMIT THE IMPOSITION OF PICC CHARGES ON SPECIAL ACCESS SERVICES.

The Commission should decline to adopt its proposal for several reasons. *First*, the Commission's stated rationale for its proposal is illogical. In advancing this proposal, the Commission makes two observations: (1) "our proposal is a departure from established Commission practice that special access will not subsidize other services;" but that (2) "our proposal is necessary for our transition from the per-minute CCL charge to the flat PICC to work."[4] Taken together, the Commission's two observations amount to a suggestion that a new cross-service subsidy (from special to switched access) is necessary to support the continuation of a cross-class (business to residence) subsidy. The Commission's own observations strongly suggest that, rather than adopt this proposal, the Commission should re-examine its adoption of the PICC charges in the first instance. The Commission plainly -- and correctly -- fears that the existence of higher multi-line business end user common line charges -- coupled with the new PICC charges -- will cause high-volume end users to shift their

[4] *Id.*,¶ 404.

access needs from switched to special access. The Commission, thus, itself acknowledges the probable unworkability of its entire PICC approach to common line cost recovery. Simply put, attempting to prop up one flawed approach with another does not constitute sound public policy.[5]

Second, in significant numbers of cases, adoption of this proposal will not help the "transition...to the flat PICC to work."[6] Rather, it will cause interexchange carriers and large end-user customers to switch to providers of access services other than ILECs. Although Frontier believes that the market segment for special access/switched transport services is not yet fully competitive, it *is* the most competitive of the services offered by ILECs. Where alternatives reasonably exist -- *i.e.*, in most major metropolitan areas in which most large business users reside -- large volume end-user customers will shift to alternative providers of access services. ILECs will simply not realize the revenues that the Commission projects from its PICC charges; nor will imposing PICC charges onto special access services cure the problem that the Commission perceives.

Third, as should be obvious, adoption of the proposal would unfairly penalize ILECs in the market where their services are either burdened with charges that their competitors are not required to assess or where they may

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5 Undoubtedly, the viability and soundness of the new PICC charges will be addressed in forthcoming petitions for review or petitions for reconsideration of the Commission's access charge orders.

6 Further Notice, ¶ 404.

have revenues attributed to certain of their most highly competitive services that they will never actually realize.

Fourth, to the extent that alternatives do not exist, adoption of the Commission's proposal would further burden -- at least in the first instance -- interexchange carriers in an ultimately futile attempt to keep ILECs whole.[7] Essentially, the Commission is attempting to keep revenue flows associated with common line costs to the ILECs the same. Whether that goal is attainable under the Commission's PICC approach is one question. However, to shift those costs to services that do not even use common lines does no more than impose additional, unwarranted costs on interexchange carriers.

Finally, the imposition of such costs bears no rational relationship to any accepted principles of cost causation. The Commission's proposal, therefore, runs counter to years of accepted Commission practice. The Commission should not force interexchange carriers to bear additional costs that they do not cause in order to attempt to support a newly-formulated access charge structure that is shaky at best.

II. THE COMMISSION SHOULD REALLOCATE GENERAL PURPOSE COMPUTER COSTS.

As the Commission notes,[8] an anomaly in the existing allocation rules results in the misallocation of general purpose computer costs -- a portion of

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7 To the extent that realistic alternatives to ILEC-provided special access services do not exist, end-user customers -- ultimately including the Commission's specially protected class -- will be harmed by adoption of this proposal.

8 Further Notice, ¶¶ 410-12.

GSF costs -- from billing and collection services to regulated interstate access services. This is an anomaly that the Commission should correct and should require its recognition as a downward exogenous cost adjustment for ILECs subject to price cap regulation, as the Commission properly recognizes.[9]

Of the two options proposed by the Commission, Frontier suggests that the Commission adopt option two -- the use of a general expense allocator.[10] The Commission's first option -- requiring the use of special studies[11] -- is inappropriate. As the Commission correctly recognizes, such studies are costly and vest too much discretion in the ILECs.[12] Moreover, even if the proposed solutions to the latter concern -- cost allocation manual changes and independent certification[13] -- are workable, they do not address the first concern. Nor is there any *a priori* reason to believe that a general expense allocator -- of a type that the Commission already utilizes[14] -- would be any less accurate or equitable than reliance upon special studies.

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9 *Id.*, ¶ 415.

10 *Id.*, ¶ 417.

11 *Id.*, ¶ 415.

12 *Id.*, ¶ 416.

13 *Id.*

14 *Id.*, ¶ 417.

Conclusion

For the foregoing reasons, the Commission should act upon the proposals contained in the Further Notice in the manner set forth herein.

Respectfully submitted,

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Certificate of Service

I hereby certify that, on this 24th day of June, 1997, copies of the foregoing Comments of Frontier Corporation were served by first-class mail, postage prepaid, upon the parties on the attached service list.

Michael J. Shortley, III